

# FISCAL NOTE

**Bill #:** SB260 (Revised)

**Title:** Reducing Vehicle Property Tax and Local  
Option Vehicle Tax

**Primary**

**Sponsor:** Bill Glaser

**Status:** Governor's Amendments

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund-Reimbursements	2,920,000	5,568,000
<b>Revenue:</b>		
General Fund	(5,330,000)	(11,430,000)
State Special Revenue-6 Mills	0	0
State Special Revenue-9 Mills	0	0
<b>Net Impact on General Fund Balance:</b>	<b>(8,250,000)</b>	<b>(16,998,000)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill would apply to vehicle registration periods beginning after December 31, 1999.
2. Vehicle property tax and local option vehicle tax are collected uniformly throughout each fiscal year. Three of the six deposits into the motor vehicle suspense fund for FY2000 are made after December 31, 1999, the date this bill becomes effective. Therefore, half of the collections in FY2000 would be based on current law and half would be based on proposed law. All collections of vehicle taxes in FY2001 would fall under the proposed law.
3. As a result of New Section 5 of this bill, the vehicle property tax rate on light cars and trucks would decrease from 2.0% down to 1.4% of taxable value. This bill would lower the tax rate on fleet vehicles

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from 1.0% to 0.7% of taxable value. Finally, it would raise the local option vehicle tax from 0.5% of taxable value to 0.7%.

4. Under this proposal, the tax rate on vehicles would be cut by 30%, but the allocation to the district court fund would be increased from 7% to 10% of total revenue. Consequently, there is no change in revenue to the district court fund under this proposal.
5. This bill would eliminate distribution of vehicle property tax revenues to state equalization aid (40 mills) which is state general fund revenue, and would eliminate distribution to the 6 mills levied for the University System. Distribution percentages to the state general fund (55 mills), county government, other county funds, cities and towns, 9 mills, 1.5 mills and schools would be increased proportionately.
6. This bill provides complete reimbursement to the 6 and 9 mill levies to compensate for losses occurred as a result of the bill. This money is reimbursed out of the state general fund.
7. Under this bill, the general funds of school districts would be directly reimbursed from the state general fund for the losses in revenue incurred as a result of the proposed lower tax rates. The amount reimbursed would be equal to the difference between revenue earned under the bill and that earned in fiscal year 1999 under current law. The Countywide Transportation Fund, Countywide Retirement Fund and all other school funds which are not general fund monies would not be reimbursed.
8. The following table shows actual 1997 collections and distributions from the 2% tax on motor vehicles and the local option vehicle tax. It also shows the current law forecast collections in FY2000 and FY2001, assuming a growth rate of 6% per year from 1997-2000, and 5% between 2000 and 2001.

	<u>Tax Year 1997</u>	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2001</u>
State GF	16,076,478	19,136,331	20,088,250
6 mills	1,015,356	1,208,610	1,268,732
1.5 Mills	88,844	105,753	111,014
9 Mills	609,214	725,166	761,239
County Government	12,299,352	14,640,301	15,368,568
County Misc.	4,767,099	5,674,426	5,956,695
Countywd Retirement	4,379,571	5,213,140	5,472,462
Countywd Transport	703,980	837,970	879,654
School GF	18,276,417	21,754,987	22,837,168
School non-GF	4,569,104	5,438,747	5,709,292
Cities/Towns	5,119,089	6,093,411	6,396,522
District Court	5,111,092	6,083,891	6,386,529
<b>SubTOTAL</b>	<b>73,015,595</b>	<b>86,912,733</b>	<b>91,236,123</b>
County Option Tax	15,055,294	17,920,785	18,812,237
<b>TOTAL</b>	<b>88,070,889</b>	<b>104,833,518</b>	<b>110,048,359</b>

8. The following table shows the estimated collections in FY2000 and FY2001 under current law and under the proposed law. The differences in collections between the two are also shown.

## Estimated Fiscal Impact of SB260

### ***FY 2000***

Fund	Current Law	Proposed Law	Difference	Reimburesment	Net
State GF	19,136,331	13,806,588	(5,329,743)	(2,919,399)	(8,249,142)
6 mills	1,208,610	604,305	(604,305)	604,305	(0)
1.5 Mills	105,753	93,334	(12,419)		(12,419)
9 Mills	725,166	640,007	(85,159)	85,159	(0)
County Government	14,640,301	12,921,033	(1,719,268)		(1,719,268)
County Misc.	5,674,426	5,008,056	(666,370)		(666,370)
Countywd Retirement	5,213,140	4,600,941	(612,199)		(612,199)
Countywd Transport	837,970	739,564	(98,406)		(98,406)
School GF	21,754,987	19,200,214	(2,554,773)	2,229,934	(324,839)
School non-GF	5,438,747	4,800,054	(638,693)		(638,693)
Cities/Towns	6,093,411	5,377,838	(715,573)		(715,573)
District Court	6,083,891	6,083,891	(0)		(0)
County Option	17,920,785	21,504,934	3,584,149		3,584,149
<b>Total</b>	<b>104,833,518</b>	<b>95,380,759</b>	<b>(9,452,759)</b>	<b>0</b>	<b>(9,452,760)</b>

### ***FY 2001***

Fund	Current Law	Proposed Law	Difference	Reimburesment	Net
State GF	20,088,250	8,657,929	(11,430,321)	(5,567,553)	(16,997,874)
6 mills	1,268,732	0	(1,268,732)	1,268,732	0
1.5 Mills	111,014	82,644	(28,370)		(28,370)
9 Mills	761,239	566,701	(194,538)	194,538	0
County Government	15,368,568	11,441,060	(3,927,508)		(3,927,508)
County Misc.	5,956,695	4,434,434	(1,522,261)		(1,522,261)
Countywd Retirement	5,472,462	4,073,949	(1,398,513)		(1,398,513)
Countywd Transport	879,654	654,854	(224,800)		(224,800)
School GF	22,837,168	17,001,025	(5,836,143)	4,104,283	(1,731,860)
School non-GF	5,709,292	4,250,256	(1,459,036)		(1,459,036)
Cities/Towns	6,396,522	4,761,861	(1,634,661)		(1,634,661)
District Court	6,386,529	6,213,857	(172,672)		(172,672)
County Option	18,812,237	26,337,114	7,524,878		7,524,878
<b>Total</b>	<b>110,048,359</b>	<b>88,475,684</b>	<b>(21,572,675)</b>	<b>0</b>	<b>(21,572,675)</b>

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9. Using these projections, the effect upon the state general fund (not including reimbursements) is expected to be a decrease of \$5,330,000 in FY2000 and \$11,430,000 in FY2001.
10. School district general funds would be reimbursed at current law 1999 levels for losses incurred as a result of this bill. In FY2000, \$2,230,000 would be reimbursed to school district general funds and in FY2001, \$4,104,000 would be reimbursed.

<u>FISCAL IMPACT:</u>	<u>FY2000</u>	<u>FY2001</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Reimbursements	2,920,000	5,568,000
<u>Funding:</u>		
General Fund (01)	2,920,000	5,568,000
<u>Revenues:</u>		
General Fund	(5,330,000)	(11,430,000)
State Special Revenue-6 Mills	0	0
State Special Revenue-9 Mills	0	0
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	<b>(8,250,000)</b>	<b>(16,998,000)</b>

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The decrease in local government revenues as a result of this bill is estimated to be \$4,775,000 in FY2000. County governments would experience a net decrease in revenues of \$1,719,000, miscellaneous county funds a decrease of \$666,000, countywide retirement a decrease of \$612,000, countywide transportation a decrease of \$98,000, school district non-general funds a decrease of \$639,000 and cities and towns a decrease of \$716,000. The decrease in local revenues is estimated to be \$11,899,000 in FY2001. County governments would experience a net increase in revenues of \$3,927,508, miscellaneous county funds a decrease of \$1,522,000, countywide retirement a decrease of \$1,399,000, countywide transportation a decrease of \$225,000, school district non-general funds a decrease of \$1,459,000 and cities and towns a decrease of \$1,635,000.

LONG-RANGE IMPACTS:

After December 31, 2000, this bill provides for annually adjusting the tax rate on motor vehicles and local county option tax so that total collections on the vehicle property tax stay constant. Therefore, it is expected that total revenues from these taxes will remain at calendar year 2001 liability for all subsequent years.